

VZCZCXR07261

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RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG

DE RUEHBW #0356/01 1001010

ZNR UUUUU ZZH

R 091010Z APR 08

FM AMEMBASSY BELGRADE

TO RUEHC/SECSTATE WASHDC 0150

INFO RUEHZN/EUROPEAN POLITICAL COLLECTIVE

RUEHBW/AMEMBASSY BELGRADE 0232

UNCLAS SECTION 01 OF 04 BELGRADE 000356

SIPDIS

SENSITIVE

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E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [SR](#)

SUBJECT: SERBIA: LEGISLATION ON HOLD DURING ELECTIONS

REF: A) BELGRADE 309 AND PREVIOUS, B) BELGRADE 206 AND PREVIOUS

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Summary

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**¶1.** (SBU) While Serbia's political elite crunch the numbers in anticipation of forming coalitions after the May 11 elections, Serbia's caretaker government has stalled a mountain of critical legislation. While this is business as usual for the politicians, legislation that would improve the day-to-day life for the ordinary citizen remains in limbo -- again -- until after a new government is formed. End Summary.

Politicians Focused on Campaign

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**¶2.** (U) Since the DS-DSS government dissolved, the incumbent ministers have remained in place as a caretaker government, but parliament has dissolved (ref B). With no agreement among the caretaker government and no parliament to consider bills, the ministries have ceased work on a laundry list of important pieces of draft legislation in various stages of development. Ministries have also delayed implementing legislation that should have gone into force. Instead of doing real work, the parties are absorbed with campaigning for the May 11 parliamentary elections, the eighth national election since [¶2000](#).

Meanwhile Legislation Languishes

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**¶3.** (U) Draft legislation on hold includes economic reforms, development and infrastructure projects, criminal justice legislation, social welfare programs, and legislation required for a Stabilization and Association Agreement with the EU. Several of the pieces of legislation would implement projects funded by the International Bank of Reconstruction and Development, the World Bank, and the European Investment Bank. Pending criminal justice legislation is necessary to implement the Justice Ministry's judicial reform strategy and implement

elements of the 2006 Constitution, such as establishing appellate courts and a selection process for judges and prosecutors. In addition, implementation of other legislation, such as a new asylum law and establishment of an anti-corruption agency, remains on hold. A full list of legislation and projects on hold follows.

**¶4.** (U) Among the economic-related legislation stalled, there are a few bills that have significant economic and financial consequences for Serbia. Although GOS continues to lament its Category 2 airport security rating, it still has not passed the required Law on Civil Aviation mandated by FAA to achieve Category 1 status. The law giving the Civil Aviation Directorate independent authority over civil aviation affairs is integral to re-establishing direct flights between the U.S. and Serbia. Serbia's proposed Law on Land Restitution, which aims to settle land claim disputes, establish post-socialism property rights, and pave the way for a competitive real estate market also lies in wait. Finally, there are at least six environmental protection related laws ranging from fighting pollution to handling nuclear waste. Many of these laws must be passed and implemented as pre-conditions for signing the Stabilization and Association Agreement with the EU.

#### Consequences of a "Caretaker Government"

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**¶5.** (U) Investment activity in Serbia is "on hold" due to the lack of a fully functioning government and forthcoming elections with highly uncertain outcome. Some privatization tenders have failed from lack of bidder participation (hotels Genex Kopaonik e.g.), while others are postponed until after the elections ("Lasta" transportation company, "Zastava Cars"). Some winning

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tender bidders are finding it difficult to secure funding (RTB Bor, concession for highway Horgos-Pozega) with banks like Deutsche Banking deciding not to provide financial backing. Belgrade Stock Exchange transactions fell by half from January to March 2008 compared to the same period in 2007. Share values continue to drop steadily. The most liquid shares, Belex15, dropped 30% from January 1 to April 8, 2008. Foreign currency trade among banks declined, yielding only 10% of normal daily value by the end of March. The dinar depreciated in the first two months of 2008 by 5.3%, but then reversed course in March only after the National Bank intervened.

#### List of Stalled Legislation and Projects

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**¶6.** (U) Economic reforms:

-Budget System: stricter control of public finances.

-Tax Laws: various laws that simplify tax code, 10% decrease on the capital gains tax on securities, meet international accounting standards, cancel passport tax.

-Securities Markets: reforms to meet EU standards.

-Regional development: establishes GOS agency for regional development, improves assistance to underdeveloped regions.

-Industrial parks: proposes GOS-funded infrastructure to attract greenfield FDI.

Development and infrastructure:

-Traffic Reconstruction (with International Bank for Reconstruction and Development).

-Agricultural Reform, Rehabilitation of the Irrigation Systems (IBRD).

-Regional Development of Bor (IBRD).

-Energy Efficiency (IBRD and International Development Association).

-Clinical Centers: a major hospital project (with European Investment Bank).

-Road & Bridge Rehabilitation (EIB).

Criminal Justice:

-Asset Forfeiture: allows for seizure and forfeiture of criminally derived assets.

-Organized Crime: clarifies the type of cases subject to prosecution by the newly formed special prosecutor and special court for organized crime.

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-Prosecutors: contains provisions for the appointment and retention of prosecutors and implementation of standards for disciplining of prosecutors.

-Judges: clarifies criteria for selection, advancement, retention and discipline of judges.

-Courts: establishes appellate courts.

-Criminal Procedure Code: implements plea bargaining and increases role of prosecutors in criminal investigations

-Anti-Corruption: defines agency charged with fighting corruption.

-Laws related to Justice Ministry's National Judicial Reform Strategy.

#### Social Welfare:

-Health Benefits: various laws that define and improve access to GOS-provided benefits for citizens, protect maternity leave and benefits, and address employment for the disabled.

-Public Health: laws on nuclear safety, waste management, environmental protection to meet EU standards, occupational safety & health (to ILO standards), anti-gender violence.

-Law on Associations

-Law on Volunteerism

-Freedom of Access to Information Law: amendments for data classification and privacy.

-Restitution and property rights: resolves property issues between the state, provinces, and local autonomies.

-Civil Aviation: crucial, new reforms to reach Category I status.

-Media: laws improving transparency on media ownership and anti-trust and to resume media privatization.

#### Preconditions for SAA:

-Public Procurement: improves transparency in public procurement/tendering process.

-General Product Safety: protecting consumer safety.

-Official Statistics

-Competition Protection: strengthens GOS ability to prevent unauthorized capital concentration, speeds entry of foreign companies.

-State Assistance: defines financing of state companies.

End List of Pending Legislation.

Comment

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17. (SBU) Ordinary citizens in Serbia continue to search for signs that the government, and Serbian politicians, will focus on quality of life issues, while legislation that can improve infrastructure, attract investment, improve the legal system, and pave the way toward the EU languishes, a hostage to election politics. Instead, politicians are absorbed with coalition calculus and campaign rhetoric, and not doing any work on any of these issues until after a new government is formed. Even then, the movement will be dependent upon the will of the parties within the governing coalition. End Comment.

MUNTER